

CalHome Program

Notice of Funding Availability (NOFA)

General Funding

Mortgage Assistance * Owner-Occupied Rehabilitation * Development Loans

August 10, 2005

The California Department of Housing and Community Development (HCD) is pleased to announce that it is accepting applications under the CalHome Program. Except for disencumbrances, we expect this to be our final NOFA for the CalHome Program funded by Proposition 46 funds. This Notice is for approximately \$25 million which is provided by the passage of Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, to provide funding to local public agencies or nonprofit corporations for the following eligible activities within the CalHome Program:

- First-Time Homebuyer Mortgage Assistance
- Owner-Occupied Rehabilitation
- Homeownership Project Development Loans

For purposes of this NOFA, first-time homebuyer mortgage assistance activities and owner-occupied rehabilitation activities are referred to as “programs,” and homeownership project development activities are referred to as “projects.”

The CalHome Program was established by SB 1656 (Alarcon), which created Chapter 6 (commencing with Section 59650) and added it to Part 2 of Division 31 of the Health and Safety Code. The CalHome Program is a homeownership program designed to make funds available to “local public agencies”, or “localities” (local public agency or locality means a city, county, or city and county, or local public entities within the state of California that have been delegated substantially all of the locality’s housing functions as referenced in Section 7716 (w)), or nonprofit corporation to support existing homeownership programs aimed at low- and very low-income households and operated by the local public agency or the nonprofit corporation.

This NOFA issued under the CalHome Program Regulations adopted on August 15, 2003. These regulations are available on HCD’s website at <http://www.hcd.ca.gov/ca/calhome> (All Section references in this NOFA refer to these regulations unless otherwise noted.)

Regulations and Definitions:

Several of the terms used in the CalHome Program have specific meanings defined by the Program Regulations. For proper completion of the application, HCD urges potential applicants to review the Program Regulations, and the CalHome 2005 Application Training Manual. These documents will be available online at <http://www.hcd.ca.gov/ca/calhome>, and they may be requested by mail or by phone.

Eligible Applicants:

Any California local public agency or nonprofit corporation that is authorized to engage in or assist in the development of housing or operation of housing programs for persons and households of low- or very low- income, is eligible to apply. **Only one application from a local public agency will be accepted for each jurisdiction.**

Applicants **shall have been operating as a housing developer or housing program administrator during the two years prior to the date of application.** If applying to fund a program, the applicant must also have successfully performed the **activity** for which they are applying for a **minimum of two years within the four years** immediately preceding the application due date and shall have the ability to perform the requirements of the activity or activities for which they are applying pursuant to Section 7717.

In order to be eligible for a **housing development loan**, the applicant shall have successfully developed **a minimum of two similar housing projects within the four years preceding** the application due date.

Localities shall only be eligible to apply for an award of CalHome funds for a local program or project located within its jurisdictional boundaries. Nonprofit corporations can only propose programs or projects in a county in which they have developed a project or operated a housing program within the past 2 years, or in a county for which the nonprofit corporation has an existing 523 technical assistance services agreement with the United States Department of Agriculture.

Maximum and Minimum Application Amounts:

Applications to Fund Local Programs: This is a multiple activity application. The aggregate amount of all activities applied for may not exceed the maximum application amount.

The **maximum aggregate application amount** for all activities (programs or projects) shall not exceed five hundred thousand dollars (**\$500,000**). An exception will be made for a city or county expected to have a higher demand for assistance as evidenced by a population in excess of 400,000 (within the city or the unincorporated portion of the applicant county), in which case the maximum aggregate amount for all activities shall not exceed seven hundred fifty thousand dollars (**\$750,000**). The application lists eligible cities, and the counties with unincorporated portions with populations exceeding 400,000. A county may operate its programs in the small cities within the county only with the documented approval of the cities. In this case, the sum of the populations of these small cities and the unincorporated portion of the county will be used to determine eligibility for an award in excess of \$500,000.

The **minimum application amount** for any one **activity** shall not be less than one hundred thousand dollars (**\$100,000**).

Applications to Fund Projects: The amount of loan funds requested in a **development project application** (attachment III) is dependent on the number of units proposed for qualifying first-

time, low-income homebuyers in the proposed project. The maximum application amount will be equal to the average amount of proposed subsidy (in the form of mortgage assistance) to be given to the eligible homebuyers, times the number of applicable units. These funds will be in the form of a development loan to the applicant to be used for land acquisition, predevelopment costs and/or on-site improvements which will convert to a grant as it converts to a mortgage assistance loan for the homebuyers.

Multiple Activity Applications:

Applicants may request funding for a mortgage assistance program and/or owner-occupied rehabilitation program by using Attachment I and/or Attachment II. In no event shall the aggregate amount requested for both programs exceed the maximum application amount.

If the applicant is applying for the homeowner project development loan, they cannot apply to fund a program. For a development loan they must complete attachment III.

Applicants cannot request funds for a local program and a project.

If an application is submitted proposing an ineligible use of CalHome funds, only that portion of the application proposing eligible activities, if any, will be rated and eligible for funding.

CalHome Activity Delivery Fee:

The CalHome Program regulations include a CalHome activity delivery fee as an eligible cost for mortgage assistance, owner-occupied rehabilitation, and homeownership development projects. This fee is to be provided in the form of a grant to the recipient.

The source of funds for this NOFA comes from the sale of general obligation bonds. General obligation bond law requires funds to be expended for “the costs of construction or acquisition of a capital asset.” Historically, no funds for the local administration of bond funded programs have been allowed. General obligation bond proceeds used in the CalHome Program may not be used for a recipient’s general administrative or operating costs, but they may be used for:

- a. Self-help technical assistance costs to the extent the costs can be differentiated from the recipient’s general administrative costs.
- b. The direct expense of homebuyer education provided to individuals who also receive home purchase funds.
- c. Loan processing activity delivery fees, pursuant to regulation Sections 7729(d) for homebuyer mortgage assistance loans, as reimbursement to the recipient for its activities directly associated with the making of the loan to the borrower. Fees are reimbursable only to the extent of actual costs incurred in making the individual loan not exceeding the amount normally and customarily charged in relation to similar loans by other lenders, and fees may only be paid for CalHome loans that have closed and been funded.

- d. Owner-occupied rehabilitation activity delivery fees, pursuant to Section 7733(f), as reimbursement to the recipient for the actual costs of services rendered to the homeowner that are incidentally but directly related to the rehabilitation work (e.g., planning, engineering, construction management, including inspections and work write-ups). However, the fees may only be reimbursed for work actually completed and funded with a CalHome loan.

Eligible Uses of Funds:

Local agencies or nonprofit corporations may make:

- (1) Loans to first-time homebuyers for mortgage assistance for permanent financing of a unit ready for occupancy or a unit acquired by a loan such as a HUD FHA 203(k) acquisition/rehabilitation loan. This includes self-help housing mortgage assistance, except that CalHome permanent financing may be disbursed at time of lot purchase where the self-help housing is being financed under the U.S. Department of Agriculture, Rural Housing Services 502 program;
- (2) Loans to owner-occupants for rehabilitation.

HCD may make loans to local public agencies or nonprofit corporations for the development of new construction homeownership development projects by the applicant. Development projects are only eligible if construction work has not begun prior to the date that HCD awards a commitment of program funds, including (1) site improvements intended for public dedication, (2) site preparation, or (3) grading. These loans may convert to grants, pursuant to Section 7746, to be used by the recipient to make mortgage assistance loans pursuant to Section 7734 to purchase the developed units.

Note: All assistance to homeowners shall be in the form of deferred loans repayable to a recipient's separately maintained reuse account.

Ineligible Uses of Funds:

- (1) Administrative costs other than those allowed in Section 7729, 7733, 7737, 7740 and 7743 per assisted household.
- (2) Refinancing of existing loans or debt, excepting site acquisition bridge loans with a term of 36 months or less on homeownership development projects.
- (3) Offsite improvements (i.e., improvements outside the boundaries of the subdivision or individual parcels for scattered site development).
- (4) Unit construction costs, except in rehabilitation programs.
- (5) Substitution of CalHome fund commitments for other funding commitments. This restriction applies to the local public agency's or nonprofit corporation's overall homeowner activities, as well as on a loan-by-loan basis.

Eligibility for Homebuyer/Homeowners:

CalHome Program borrowers must be low- or very low-income households whose incomes shall not exceed 80% of the county median income as defined in Section 7716. The current limits are listed on the HCD website at:

www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html

Homebuyers must be first-time homebuyers as defined in the CalHome Program regulations, Section 7716 (m). Homeowners must be owner-occupants of units that need rehabilitation. All assisted households shall occupy units purchased or rehabilitated with a CalHome Program loan as their principal place of residence.

Maximum and Minimum Homeowners Loan Amounts Requirements:

The maximum loan, made from grant funds, to individual homebuyers/homeowners shall not exceed the required amount of subsidy needed to make the unit affordable to the homebuyer or in the case of rehabilitation, the amount required to fund costs associated with eligible improvements and non-recurring closing costs.

Underwriting Criteria:

Loans to first-time homebuyers shall meet the underwriting criteria established in Section 7731.

Rehabilitation loans to eligible owner-occupants shall meet the underwriting criteria established in Section 7735.

Development loans will be funded pursuant to the development loan terms established in Section 7746.

Sales Price:

“Maximum Sales Price” is the maximum allowable sales price of a home assisted with a CalHome Program loan. This shall be set at 100% of the current median sales price of a single family home in the jurisdiction in which the CalHome Program or Project is located.

Timeframes for Use of CalHome Funds:**First-Time Homebuyer Mortgage Assistance and Owner-Occupied Rehabilitation Programs:**

Successful applicants shall enter into a Standard Agreement with HCD. The term of the Standard Agreement shall be for 36 months from the date of the award letter. Recipients shall be required to meet the performance goals pursuant to Section 7755(a). Failure to meet the performance goals may result in funds being disencumbered and/or a penalty point reduction on future applications.

Homeownership Development Loans:

Successful applicants shall enter into a Standard Agreement with HCD. The term of the Standard Agreement shall be for 36 months from the date of the award letter. Recipients shall be required to meet the performance goals pursuant to Section 7755(b). Failure to meet the performance goals may result in funds being disencumbered and/or a penalty point reduction on future applications.

Geographic Distribution Targets:

CalHome's enabling statute requires the program to "ensure a reasonable geographic distribution" of funds. To prevent an extreme imbalance of funding (provided there are sufficient applications in each area that pass funding threshold):

- 45% of the funds shall be reserved for programs in Southern California
- 30% of the funds shall be reserved for programs in Northern California
- 10% of the funds shall be reserved for programs in rural areas

If there are insufficient eligible applications in the southern, northern, or rural areas, and the entire amount of any distribution target percentage is not used, the balance of that distribution target percentage and the remaining funds not assigned will be used to fund eligible applications in any area of the State based on highest ranking order.

For the purposes of these geographic distribution targets, Southern California includes the counties of San Luis Obispo, Kern, San Bernardino, and all counties to the South. Northern California includes all other counties of the State. "Rural" is defined in Section 50199.21 of the Health and Safety Code.

Important Legal Matters:

HCD reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties. This NOFA is subject to the provisions of the CalHome Program Regulations adopted on August 15, 2003. Applicants are urged to carefully review the regulations before submitting an application.

Application Procedures:

The CalHome application will not be considered for funding unless the applicant demonstrates the following minimum requirements.

- (1) the applicant is eligible;
- (2) the activities are eligible;
- (3) the proposed use of funds is eligible;

- (4) the application was received on time;
- (5) the application is complete and signed by the party authorized in the Resolution; and;
- (6) the application has not been altered or modified except to accommodate computer software.

Evaluation Criteria:

Applicants may apply to fund one or two **programs** (mortgage assistance and/or owner-occupied rehabilitation) in a single application by completing the appropriate Attachments (I and/or II). Applicants may choose to apply to fund a homeownership development **project** (Attachment III). Applicants **cannot** apply to fund **both** a program and a project.

All applications will be reviewed to determine if they meet eligibility requirements, and then scored to determine if they meet threshold requirements of 550 points. Each application meeting the 550 point threshold will then have its Attachments scored individually. (see NOFA section, **Evaluation Criteria** for details)

An applicant applying to fund two programs will therefore have two separate scores. The scores will be averaged into one score and placed in rank order.

After all qualifying applications are scored they will be placed in score rank order (highest to lowest). Awards will be made to applications beginning with the highest score and down the list until the full extent of funds available is reached. This list will then be reviewed for the geographical distribution of awards, and may be adjusted to meet the targets stated in the NOFA. Applicants must first pass threshold and receive a minimum of 550 points to be eligible to be rated and ranked based on criteria established in the Program Regulations. The maximum number of points an application may receive under this NOFA is 850.

In the case of a tie score, the application for an area demonstrating the highest poverty level will be funded first in compliance with the geographic distribution target requirements detailed above. Funding decisions will be made by the Deputy Director of HCD's Financial Assistance Division. The decision of the Deputy Director is final.

Changes in Application Scoring – Outcome of Discussions with CalHome Stakeholders

In June, 2005, the CalHome Program sponsored two meetings with stakeholders to obtain feedback with regards to the CalHome application scoring. Some suggestions obtained would require statutory or regulatory changes, and they will be considered for future implementation. Several suggestions made regarding the points assigned to scoring categories in the application process fell within the existing statutory and regulatory framework and we were able to make some changes.

It will no longer be possible to award bonus point to applicants that had previously been unsuccessful; this is not allowed by State Regulations.

In response to the suggestions, we have made adjustments to the points assigned to several of the selection criteria. Below is the table with the new point array. We hope that these adjustments have the desired effect of allowing the CalHome Program to be more inclusive while adhering to the original statutory intent of the Program.

	August 10, 2005 CalHome NOFA		
	Programs		Project
Selection Criteria	Mortgage Assistance	Owner-Occupied Rehabilitation	Development Loan
Capability	400	400	400
Community Need	150	150	150
Feasibility	200	250	200
Community Revitalization	50	50	50
Contributed Labor	50	X	50
Maximum Possible	850	850	850

Criteria: (The criteria listed below represents a summary. Please refer to Section 7751 in the regulations for more specific information.)

**Maximum
Points**

Capability to operate the program or develop the project by demonstrating prior experience with administration of the program activity proposed or in developing the type of homeownership development project as proposed and prior experience with loan servicing or a plan to provide loan servicing/management capabilities.

400

Community need in a geographic area of the proposed local program or project will be based on the following factors:

150

- For an owner-occupied rehabilitation application, percentage of the population living at or below the federal poverty level, and the number and percentage of households who are overcrowded and living in substandard housing as reflected in U.S. Census data;
- For a mortgage assistance application (and a development project application): the factors used will be the percentage of low-income households overpaying for their housing, and the percentage of low-income households that are homeowners as reflected in U.S. Census data.

Feasibility of the proposed program activity is demonstrated by the extent to which the proposed program is responding to a community need and demonstrates a likelihood of success. For applicants proposing a homeownership development project, readiness of the project, and ability of the project to serve low- and very low-income households will be measured. Feasibility for program applications will be determined by statistical indicators in the following areas:

**200 or 250
for rehab**

- For an owner-occupied rehabilitation application, percentage of pre-1980 homes in the jurisdiction, and the percentage of overcrowded households;
- For a mortgage assistance program, the ratio between the median home sales price and median household income in the jurisdiction, and the percentage of low-income homeowners.

Contributes to **community revitalization** by operating a program/project located in a federally defined Qualified Census Tract or in a designated redevelopment area under the jurisdiction of the local Redevelopment Agency.

50

Extent to which **contributed labor** is utilized in homeownership projects, or a mortgage assistance program for new construction or acquisition with rehabilitation when the recipient is acquiring and rehabilitating properties for sale to first-time homebuyers. A minimum of **500** hours of onsite contributed construction labor per assisted unit must be provided. Points will be awarded comparatively, based on the number of contributed construction labor hours guaranteed, with additional weight given to the amount of contributed labor being provided by the homebuyer.

50 (not available for rehab)

Maximum Total Points

850

Application Submission:

Application must be made on the forms provided by HCD. Applicants may submit only **one** application in response to this NOFA. Application forms must not be modified. **HCD must receive one original complete application no later than 5:00 p.m. on Wednesday, October 12, 2005.** No facsimiles, incomplete applications, or application revisions will be accepted prior to or after the application deadline. Applications must meet all eligibility requirements upon submission. Applications having material internal inconsistencies will not be rated and ranked.

CalHome Program staff will be holding four Application Workshops in locations throughout California to assist potential applicants in submitting complete applications. All interested parties are urged to attend the most convenient workshop. All workshops are from 9:00 – 12:00 a.m. Application Workshops will be held at the following locations and dates:

- Los Angeles – 8/18
- Oakland – 8/23
- Sacramento – 8/26
- Visalia – 8/31

A workshop registration form is attached to this NOFA. Please RSVP using this form.

Applications will be available at the application workshops. Applications will also be available at HCD's website no later than August 12, 2005, or you may contact program staff at (916) 327-3646. Applications must be delivered to one of the following addresses:

U.S. Mail

Department of Housing and
Community Development
CalHome Program
Financial Assistance Division
P.O. Box 952054
Sacramento, CA 94252-2054

Private Courier

Department of Housing and
Community Development
CalHome Program
Financial Assistance Division
1800 Third Street, Room 390-2
Sacramento, CA 95814

It is the applicant's responsibility to ensure that the application is clear, complete and accurate. After the application deadline, CalHome staff may request clarifying information provided that such information does not affect the competitive rating of the application. No information will

be solicited or accepted if this information would result in a competitive advantage to the applicant. No applicant may appeal HCD staff's evaluation of another applicant's application.

Information and Assistance:

Staff is available to answer questions regarding the program or the preparation and submittal of the application. Please call the CalHome program staff at (916) 327-3646.

CALHOME
2005 APPLICATION WORKSHOP REGISTRATION
GENERAL NOFA

Mortgage Assistance * Owner-Occupied Rehabilitation * Development Project Loans

Fax this form to (916) 323-6016. No cover page is necessary.

NOTE: The session will provide training on the CalHome General NOFA.

Attention: CalHome Program, fax # 916-323-6016, voice # 916-327-3646
(Please RSVP at least 5 days before the workshop date)

Organization: _____

Attendee's Name: _____ Phone: _____ E-mail: _____

Please indicate which of the following workshop locations and training sessions you would like to attend:

Los Angeles (8/18) 10:00 a.m. – 12:00 p.m.

_____ Los Angeles Neighborhood Housing Services, 3926 Wilshire Blvd, Suite 200, Los Angeles, CA

Oakland (8/23) 10:00 a.m. – 12:00 p.m.

_____ Elihu Harris Building, 1515 Clay Street, Room 9, Oakland, CA

Sacramento (8/26) 10:00 a.m. – 12:00 p.m.

_____ HCD Headquarters, 1800 3rd Street, Room 183, Sacramento, CA

Visalia (8/31) 10:00 a.m. – 12:00 p.m.

_____ Self-Help Enterprises, 8445 W. Elowin Court, Visalia CA

Please list any other program people planning to attend:

Name: _____ Phone: _____ Email: _____

Name: _____ Phone: _____ Email: _____

Name: _____ Phone: _____ Email: _____